



FAX- (908) 747-6721

10 HIGHWAY 35, PO BOX 500 RED BANK NEW JERSEY 07701 (908) 747-7800

April 12, 1991

Glenn A. Grant, Esq.  
City of Newark  
Department of Law  
920 Broad Street  
Room 316  
Newark, NJ 07102

RE: Prioritizing the City of Newark's Acquisition,  
Relocation and Demolition Efforts Regarding the  
Society Hill at University Heights Condominium Project

Dear Glenn:

As you are aware, we have two separate contracts with the City of Newark regarding our redevelopment efforts in the University Heights Redevelopment Plan area. The first contract covers what has been labelled Sites "A", "B", "C" and "E". The second contract covers Site "D". To date, Site "A" has been completely developed and sold. One hundred and sixty-four (164) dwelling units of the total four hundred and twenty (420) on Site "D" have been constructed and sold. We have constructed and are in the process of selling the first fifty-two (52) units of one hundred and ninety-nine (199) which will be located on Site "B". Our efforts continue on constructing and selling the balance of the units on Site "B".

Conrad E. Gack has sent a letter dated April 11, 1991 to Harold Lucas to confirm prior discussions between Mr. Gack and City Officials. The purpose of this letter was to prioritize our joint efforts at developing the balance of the University Heights Sites. Accordingly, Mr. Gack confirmed to Mr. Lucas that the City's efforts at relocation of occupants, acquisition of outparcels and demolition of buildings (should you chose to do so) has been established as: first, Site "E", then Site Upper "D" and lastly Site "C".

The reason for this prioritization is to assist the City in focusing its financial resources needed to undertake the above efforts in as efficient a manner and time frame as is possible.

As you are aware our separate contracts to redevelop these Sites were each negotiated and signed before we experienced the true extent of the slowdown in the North Jersey real estate market. Section 4.7 on the Site "D" contract requires the developing entity to construct fifty (50%) percent of the units to be built within eighteen (18) months after transfer of the property comprising the Site and to complete constructing within thirty (30) months of acquisition of title to same. Please allow this letter to confirm that the City acknowledges that on the portion of Site

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"D" transferred to us (Tax Block 233 and 234) we have completed construction of the one hundred and sixty-four (164) units to be placed thereon and that the City has not completed acquisition and relocation of current occupants on that Site to be residentially developed (Tax Blocks 235 and 236). Therefore we have complied with contract requirements as to the one hundred and sixty-four (164) units already constructed and the time frame for commencing the completion of construction for the balance of the site has not begun to run yet since the City has not yet deeded it to us.

As regards the Site "A", "B", "C" and "E" contract, Section 5.8 states, in effect, that all Site "B" construction is to be completed twelve (12) months after the date of conveyance of the property. As you are aware all of the Site "B" property was conveyed to us in November 1990. To date we have constructed five of fourteen buildings. Total units constructed is fifty-two (52) of one hundred and ninety-nine (199). We expect sales to dictate that we will only be constructing another two or three buildings prior to November 1991. We anticipate completion of the Site in the latter part of 1992 or possibly even later given the current level of sales. Please allow this letter to confirm that we are in agreement that, due to the market slowdown, the "force major" language contained in Section 3.18b tolls the twelve (12) month time frame within which we were to complete construction of Site "B".

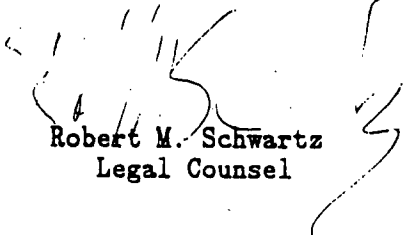
Please note that since our Public Offering Statements on our Newark projects contain reference to the City's right of reverter if the original construction time frames discussed herein are not adhered to, copies of this letter may be given to purchasers, title companies, banks or attorneys who ask the appropriate questions.

Thank you for your attention to this matter.

Very truly yours,

K. HOVNANIAN AT NEWARK URBAN RENEWAL CORPORATION II, INC.

K. HOVNANIAN AT NEWARK URBAN RENEWAL CORPORATION III, INC.

  
Robert M. Schwartz  
Legal Counsel

RMS:jac  
cc: Harold Lucas  
Michael Kehoe, Eastern Title Agency  
Robert Jackson  
Site "D" Contract File  
Site "A", "B", "C" and "E" Contract File

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